Better Marketing

Division of Marketing and Marketing Agreements

· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

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DAIRY INDUSTRY NOW IN IMPROVED POSITION

Improved Demand and Marketing Conditions Bring Producers Better Returns

The economic position of dairy producers has improved substantially since March 1933, when farm prices of dairy products reached the lowest levels for the depression. At that time farm prices of dairy products averaged only 71 percent of the pre-war level, as compared with an average of 157 in 1929. By February 1936, prices had recovered to a level where they averaged 123 percent of the pre-war basis, or 73 percent higher than the March 1933 figure.

Following the decline in the income of urban consumers towards the end of 1929, concurrent with an increase in unemployment and a drop in the wholesale price level, farm prices of dairy products declined, though at a slower rate than prices of other agricultural commodities, such as grains and cotton. The decline in dairy-products prices from 1929 to 1930 was 13 percent, while the decline in prices of grains was 17 percent and that of cotton and cottonseed was 29 percent. The decline from 1929 to March 1933 was 55 percent for dairy products, 70 percent for grains, and 67 percent for cotton. During this period of declining dairy-products prices there was an increase in the farm production of milk of 3.1 percent, or from 98.8 billion pounds in 1929 to 101.9 billion pounds in 1932.

The gross income of farmers in the United States from milk and milk products in 1929 was $2,322,553,000. This declined to $2,030,853,000 in 1930, to $1,614,394,000 in 1931, and to $1,260,424,000 in 1932. While the decline in the income of dairy producers between 1929 and 1932, amounting to approximately 46 percent, was drastic, it was less than the decline in the income from other agricultural commodities. As a result,

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Potato Program Terminated; Milk License is Suspended

Termination of the marketing agreement and license for shippers of potatoes grown in Florida, Georgia, South Carolina, North Carolina, Virginia, and Maryland, became effective April 10.

Both the agreement and license became effective in July 1934, and operated during the latter part of that marketing season in the northern portion of the region.

The license for the Tucson, Ariz., milk sales area was suspended, effective as of April 1.

Handlers and Growers Consider California Fruit Agreement

A marketing agreement for handlers of fresh California pears, plums, Elberta peaches, apricots, and cherries was sent to handlers for signature after tentative approval by the Secretary of Agriculture. While the agreement is before the handlers, growers are being requested to indicate whether they favor issuance of an order which would embody the terms of the agreement. A series of nearly 2 dozen grower meetings are under way.

The tentatively approved agreement is designed to replace the marketing agreement program for the industry which has been in effect during the last

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SURVEY FINDS JERSEY'S PRODUCE TRADE NEEDS

Changed Methods of Buying and Selling Fruits and Vegetables Offer Challenge to Growers

Methods of buying and selling fresh fruits and vegetables in New Jersey have undergone marked changes in recent years, according to a survey jointly undertaken in that State by the United States Department of Agriculture, Bureau of Agricultural Economics, Agricultural Adjustment Administration, New Jersey State College of Agriculture, and the New Jersey State Department of Agriculture. Information obtained from the survey may be used by growers as a basis for establishing a program for better marketing of New Jersey fruits and vegetables.

Standardization of pack was found to be an outstanding need toward improving distribution of New Jersey products through large distributing agencies. The survey found a definite need for some agency to extend the work of assembling larger lots of produce to conform to demands and requirements of large-scale distributors. A special merchandising plan through an arrangement by local producers' auctions with large distributors was suggested for trial to facilitate the movement of fruits and vegetables into channels of consumption when heavy supplies are imminent.

The following changes in selling methods were found to have taken place during recent years: A decrease in sales on commission; an increase in sales through producer auctions associations; a slight increase in sales through farmers' markets; an increase in sales through local country dealers; and some decrease in sales at the farm.

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FEDERAL COURT RULES A. A. A. ORDERS VALID

Power to Regulate Interstate Commerce Upheld in West Coast Decision

The provisions of the Agricultural Adjustment Act, as amended, which empower the Secretary of Agriculture to enter into marketing agreements and issue orders to make the marketing programs effective on all handlers within an industry, were upheld in the Federal District Court for the Southern District of California.

In the case on which the decision was rendered, the Federal Government sought an interlocutory injunction against the Edwards Fruit Co., of Colton, Calif., charged with violating the order regulating the handling of oranges and grapefruit grown in the States of California and Arizona. The order has been in effect since January 13, 1936, and this was the first court proceeding brought by the Government in connection with an alleged violation of its provisions.

Granting the interlocutory injunction against the handler, the court held, in an opinion delivered April 4, that the January 6 decision of the United States Supreme Court on the processing tax and production control features of the Agricultural Adjustment Act, did not affect the validity of the marketing agreement and order provisions of the act.

Regulation of marketing in the manner prescribed by the act, as exercised by the Secretary of Agriculture through the issuance of the order, was held by the Federal district court as being within the constitutional power of Congress.

After reviewing numerous decisions handed down by the United States Supreme Court, the district court stated that the power of Congress to regulate commerce implies "the right to *advance, enhance, promote, foster, restrain,* and *prohibit.*" In this connection the court said: "We must conclude that the power to regulate commerce implies the right to exercise it to achieve beneficial results in the marketing of agricultural products."

The court also observed: "If, as Mr. Chief Justice Taft stated in *Brooks* v. *United States, supra,* the commerce clause may be used to prevent the spread of 'any evil or harm' coming to a State through persons or commodities of another State, it is difficult to understand why, in order to prevent the 'glutting' of markets by agricultural products that cannot be sold (a 'glutting' which could result only in demoralizing the commerce in these commodities), the Congress can-

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JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
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EARLY EFFORTS BASIS OF AGREEMENT PROGRAMS

Industry - Wide Cooperation to Adjust Market Supplies Sought

Marketing agreements, frequently regarded as a recent development resulting from the enactment of the Agricultural Adjustment Act, are in fact based on programs quite similar in nature to those which were followed before the passage of this legislation.

During the past 15 years various groups, such as the citrus growers in Florida and California, and the California prune and grape growers, were among those fruit and vegetable producers who had developed marketing plans designed to adjust shipments to market in an effort to cope with the problem of low prices. These programs were not known as marketing agreements, but were commonly termed "clearing-houses" or "industry control boards." The objective of these programs was to prorate or regulate the quantity marketed in order to maintain or improve returns to growers. The extent to which this was accomplished depended largely upon the cooperation of growers and handlers in these voluntary efforts.

Practically all of these early attempts were made without immunity from the antitrust laws and without legal means whereby handlers who refused to cooperate could be required to comply with the voluntary efforts to adjust the volume marketed. It was in recognition of these handicaps that farm leaders sought to include in the Agricultural Adjustment Act authorization for marketing agreement programs. Consequently, the marketing agreement programs of the present frequently are regarded as the logical outgrowth of the experiences in past cooperative efforts toward marketing adjustment.

The fundamental principle on which marketing agreements under the Agricultural Adjustment Act are based is similar to that followed originally in the cooperative industry control programs. This principle is that a marketing program which is designed to improve growers' returns through control of the quantity sold cannot be successful unless it adequately adjusts the quantity shipped to market according to requirements of the market. The application of this principle in specific instances varies considerably, of course, due to the nature of the individual commodity and to the marketing practices involved.

In view of the need for differences in the application of marketing agreements to various agricultural commodities, the act authorizes a number of methods to accomplish marketing adjustments. Also, the act recognizes that adequate support on the part of the groups concerned is essential to the successful operation of these programs.

Whether marketing programs developed under the Agricultural Adjustment Act are put into operation for any particular product for the most part depends upon the wishes of the growers engaged in the production of that product. Marketing agreements are signed by handlers, but orders which embody the provisions of the agreement and make these provisions applicable to all handlers of the product under the program regardless of whether they signed the agreement, cannot be issued by the Secretary of Agriculture unless he finds that two-thirds of the growers concerned, either by number or by volume of the commodity produced for market, favor its issuance.

Consequently, the effective operation of a marketing agreement program is contingent upon whether it is to receive industry-wide support. This again recognizes the experience of the voluntary industry programs with respect to the necessity for cooperation on the part of both growers and handlers.

FEDERAL COURT RULES

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not exclude from interstate commerce a certain number of commodities over and above a quota established (with the consent of a majority of the producers) after an inquiry into the needs for a particular time. It is hard to see why constitutional validity should be denied to such a procedure and granted in the case of lottery tickets, stolen automobiles, grains that do not conform to standards, or the right be recognized in the Interstate Commerce Commission, as was done in *The Assigned Car Cases* (1927), 274 U. S. 564, to limit the quantities of railroad cars to be used in conjunction with certain industries, even to the extent of holding that the Congress could exclude private cars altogether from interstate railroads."

The court denied the contention of counsel for the Edwards Fruit Co. that the marketing agreement and order provisions of the Agricultural Adjustment Act, as amended, were also invalid because they constituted an unlawful delegation of legislative powers to the Secretary of Agriculture. The court held that a sufficiently definite standard of the exercise of the powers granted the Secretary was set forth in the act and that it was not invalid for the reason advanced.

In this connection the court held: "It is the act of Congress, and not the act of the Secretary of Agriculture, which primarily results in control of the market of agricultural products. The Secretary of Agriculture merely fills in the details within the framework of the declared legislative purpose. This is not delegation of legislative power."

DAIRY INDUSTRY

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the proportion of the total farm income that came from milk and milk products, increased from 1929 to 1932. In 1929, 19.5 percent of the gross farm income accrued to the dairy industry. This increased to 21.6 percent in 1930, to 23.2 percent in 1931, and to 23.7 percent in 1932.

Higher prices to dairy producers since March 1933 have been largely the result of improved demand and marketing conditions for dairy products. This was associated with the increase in incomes of urban consumers, the stabilizing influences of marketing agreements and licenses, or orders, issued under the Agricultural Adjustment Act for a number of fluid-milk marketing areas and for the evaporated and dry skim milk industries, and the Federal purchases of dairy products for distribution among families on relief.

Farm prices for dairy products for the last 9 months of 1933 averaged 85 percent of the pre-war level. They averaged 96 percent in 1934 and 108 percent in 1935. Because of extremely low prices during the first part of 1933, the gross farm income from milk and dairy products in that year was only slightly greater than in 1932. In 1934, the gross income, amounting to $1,421,253,000, was 13 percent larger than in 1932, though the proportion of the total gross income from farm production accruing to the dairy industry declined to 21.2 percent, because of a relatively greater improvement in prices of other farm products. At the same time the output of milk on farms declined to 98.9 billion pounds in 1934, or 3 percent below the 1932 production, as a result of extreme drought conditions over a large part of the country, and this operated to increase prices received by farmers for dairy products.

JERSEY PRODUCE SURVEY

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A summary of information obtained from distributing agencies shows the following:

Buyers report that they find it difficult to purchase large lots of locally grown merchandise properly packed to meet their requirements. Some large retail organizations reported they obtained most of their supplies in New York's wholesale market because supplies are concentrated there and they have a wide selection of quality, grade, and pack of the commodities they desire. Direct purchasing from nearby growers also has gradually increased, particularly on the part of chain buyers who report that they are able to purchase certain commodities in quantities desired, graded, and packed as they specify. Such buyers indicate there is generally less handling when goods are purchased direct, resulting in less waste.

Buyers expressed keen interest in, and the desire to receive, advance information concerning probable supplies from various commodities available at the auctions and from other producing areas in the State.

TRUCK CROPS SHOW HIGH ACREAGE AND LOW VALUE

Situation May Be Improved Through Adjustment of Market Supplies by Group Action

While the acreage of all commercial truck crops grown for canning and fresh market increased at an average rate of 89,000 acres per year from 1924 to 1935, inclusive, the per-acre farm value of these truck crops declined at an average rate of more than $4 per year during this same period, according to a study made by the General Crops Section.

The acreage of all commercial truck crops grown for canning and fresh market in the United States has increased steadily. From 1924 to 1928 there were about 2 million acres in these truck crops, exclusive of potatoes and strawberries. In the 3 years ending 1931, the total area expanded to about 2,600,000 acres. During 1932 and 1933 there was a decline to 2,250,000 acres annually, but in 1934 the total area in these truck crops increased to about 2,600,000 acres and in 1935 it reached nearly 2,900,000 acres, the highest figure to date.

Since 1930 the average per-acre farm value of commercial truck crops grown for canning and fresh market combined has been $77 as compared to $114 in the 5 previous years. Moreover, in spite of an average increase of 235,000 acres in the truck crop area over the 1926–30 average, the total farm value was actually $65,000,000 lower.

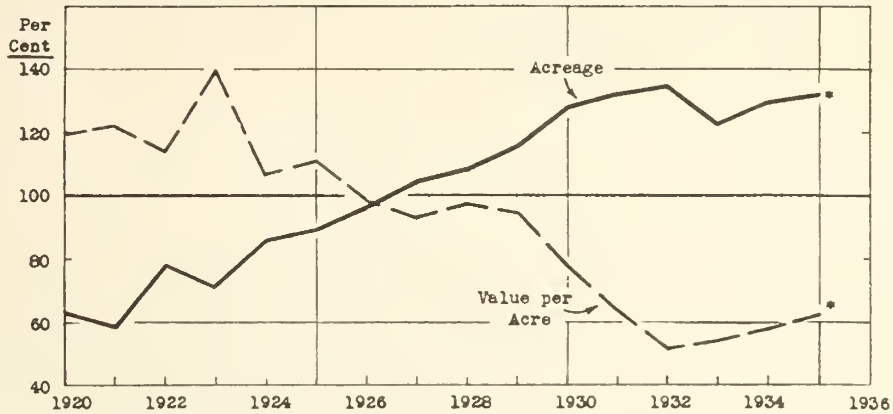
A distinction should be made between truck crops produced for fresh market shipment and truck crops for canning. Since 1926 over 50 percent of the United States commercial truck crop acreage has been used to produce vegetables and melons for fresh market shipment and slightly less than 50 percent has been used for canning crops. Over one-half of the acreage for canning is concentrated in the North Central States, particularly Indiana, Wisconsin, Illinois, and Minnesota. A very substantial proportion of the annual tonnage used for canning is contracted for in advance by canners in the immediate area in which the crop is produced. Prices received by growers of canning crops are therefore relatively stable within a particular season.

Problems Differ

Truck crops for market shipment, which account for over 75 percent of the total farm value of all truck crops, involve a number of quite different problems. The major producing areas are located a considerable distance from the consuming centers. Prices fluctuate considerably within the season and there are marked differences in prices according to grades and sizes. Growers receive returns for sales only after transportation and other marketing charges are deducted.

From 1924 to 1930 the area used for commercial truck crops for market increased from about 928,000 acres to over 1,400,000 acres, or 51 percent. Most of the increase took place in California and other western States where the acreage expanded from 192,000 to 470,000 acres. Except for a recession in 1933, the commercial market acreage has continued to increase since 1930, though much more slowly. As a consequence of the increased shipments, prices declined rapidly. In 1925 the average farm value per acre was $200. In 1932 it was less than $96. The accompanying graph on acreage and value per acre for the 17 major truck crops for fresh market shipment shows strikingly the decrease in the farm value per acre with the increase in acreage.

ACREAGE AND FARM PRICE TRENDS FOR 17 TRUCK CROPS



The above graph shows the acreage and value-per-acre trends for 17 truck crops for fresh market shipment, from 1920 to 1935. The period 1924–29 is taken to equal 100 percent.

Marketing Charges

About one-third of the acreage of commercial truck crops for market is concentrated in the Western States, principally California. Approximately 25 percent is in the South Atlantic States, chiefly Florida and Georgia, and about 20 percent of the total is in Texas and other South Central States. Since the bulk of the population is in the northeastern part of the United States, a very large proportion of the shipments from these producing areas is made to the northeastern consuming areas. One consequence of this is that transportation and other marketing charges are a much larger part of the price paid at terminal markets than is the price received by growers. For example, in 1935 about 80 percent of the price of lettuce, peas, and cauliflower shipped from Washington and Colorado to Chicago was required for transportation and other selling costs. The southeastern watermelon growers received only about 25 percent of the New York auction price in the 1935 season.

The effect of heavy selling charges is especially significant when considered together with such other basic economic forces as consumer income and volume of shipments, all of which affect grower prices. Since 1930 the average money income of consumers has been about 70 percent of the average income from 1926 to 1930. With more and more shipments made at the very time that consumers were least able to buy, because of reduced money incomes, the decline in terminal market prices was inevitable.

Whether selling on an f. o. b. or consignment basis, growers directly depend on terminal market prices for their returns. If selling on consignment, they have to pay the direct market charges before receiving a cash return for their crop. If selling f. o. b., they receive a price in which an allowance is made for marketing charges in relation to terminal market prices. In either case the price to growers is what is left after the marketing costs have been deducted from the sale price in the consuming market. Because these charges are relatively fixed, growers have borne most of the direct burden of the recent low prices.

Solution Up to Growers

If growers now find that the prices they receive and their annual incomes from truck crop shipments are unsatisfactory, the one method that they can use in order to improve their condition, or at least prevent it from becoming worse, is to adjust the market supply, which together with demand determine price. This cannot be done by an individual or a small group engaged in the production or shipment of a particular truck crop because the effect on price of their shipments alone is negligible. On the other hand, when a substantial majority of the growers and shippers of a particular commodity or in a recognized shipping region cooperate, there are opportunities for considerable improvement in marketing practices which directly affect grower prices and returns.

During the last 3 years, a number of truck crop marketing programs have been put into operation under the provisions of the Agricultural Adjustment Act. As amended last August, this act provides for marketing agreements and orders which contain specific provisions for adjusting shipments to market. Depending upon the needs of the industry and the particular commodity concerned, these provisions for adjusting shipments may include limitation of weekly shipments in order to prevent alternative gluts and shortages at the terminal markets. Also, shipment of unprofitable grades and sizes may be eliminated. One marketing agreement program contains a provision which makes possible

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BOSTON MILK ORDER ENFORCEMENT BEGINS

Court Asked To Grant Injunctions Against 28 Handlers Alleged To Have Violated Order

A bill of complaint against 28 milk handlers who are alleged to have violated the provisions of the order regulating the handling of milk in the Boston, Mass., marketing area, has been filed in the District Court of the United States for the District of Massachusetts.

This action, taken April 10, is the first to enforce compliance with the Federal order for the Boston milk market which became effective February 9, under the provisions of the Agricultural Adjustment Act as amended last August. The order was designed to continue in effect a program similar to that which had been in operation during the last 2 years under a Federal license. The marketing plan provided for in the order is designed to assure uniform prices to producers, provide for operation of a market-wide pool for equitable distribution of payments to producers, and provide for the checking of weights and tests of milk sold by producers to handlers. Administration of the program is in the hands of a market administrator.

The bill of complaint charges the 28 handlers with having bought fluid milk from producers at prices below those stipulated in the Federal order, thus obtaining "an unfair competitive advantage over all other handlers selling milk in the Boston area." Also, they are charged with having failed to furnish the administrator of the milk order with information concerning purchases and prices paid to producers, sales, and utilization of milk handled in the Boston market.

In requesting that the court issue injunctions against the 28 milk handlers, the bill of complaint says:

"The successful operation of the order and the achievement of its purposes depends upon compliance with its terms by all handlers subject to the order. Already prices to producers have been raised. No complaint against the order has been received by the Secretary of Agriculture from any member of the three classes affected: Producers, handlers, and consumers of milk. Only the defendants, from a selfish desire to profit at the expense of all others affected, threaten the success of the plan. Unless they are immediately restrained from continued violation of the order and compelled to comply with its provisions, they will accomplish the ruination of the milk program in Massachusetts; will disrupt, burden and obstruct commerce in milk among the several States; will render ineffective the lawful regulation of such commerce as provided by Congress in the act and order; will promote and encourage price cutting and unfair practices brought about by unrestricted competition in such commerce which has injured and burdened the industry and which Congress has attempted to prevent in order to preserve such commerce for the future; and will defeat the policy of Congress, declared in the act, to promote the orderly exchange of commodities among the several States."

Calling attention to the interstate character of the Boston milk market, the bill of complaint points out that more than 90 percent of the milk sold in the Boston market originates in States outside of Massachusetts. These States include Vermont, Maine, New Hampshire, New York, and Rhode Island. Less than one-half of 1 percent of the cream sold in the Boston market originates in Massachusetts. Approximately 18,000 farmers supply the market with milk.

WORLD BUTTER VOLUME HIGHER; MARKETS CUT

United Kingdom Absorbs More Butter as World Markets Narrow and Supplies Increase

[This is the first of a series of articles on world trade in butter as it relates to butter production and marketing in the United States]

While the volume of butter entering world trade in recent years has expanded, the scope of the market for such butter has been curtailed.

Since the advent of the recent business depression there has been a decline in the volume of the world trade in agricultural commodities. But, in spite of this decline, there has been a marked rise in the volume of international trade in butter during the same period.

In 1929, a total of 22 countries exported 1,130,000,000 pounds of butter. In 1934 these same countries exported 1,301,000,000 pounds of butter, an increase of 15 percent.

Denmark has been the most important exporter of butter for many years, though her proportion of total world exports has declined since 1930. Exports from Denmark in 1930 amounted to 31.7 percent and in 1934 declined to 25.4 percent of the exports of the 22 principal butter-exporting countries. Butter exports from Denmark in 1934 totaled 330,000,000 pounds, while exports from New Zealand totaled 293,000,000 pounds, and from Australia, 247,000,000 pounds.

The bulk of the butter exported by the important exporting countries has been taken in recent years by the United Kingdom, and since 1929 the proportion of these butter exports sold in the United Kingdom has increased markedly.

In 1929 the United Kingdom took about 64 percent, or 702,700,000 pounds of the total imports of 14 countries, these countries being the only significant importers of butter. In 1933 the proportion of butter taken by the United Kingdom increased to about 83 percent, and in 1934 to about 85 percent, or 1,075,600,000 pounds.

In recent years Germany has been the second largest importer of butter, though her imports have declined markedly since 1930, largely as a result of import restrictions. In 1934 Germany took only 10.7 percent, or 136,200,000 pounds, of the total imports of the chief importing countries, as compared with 26.8 percent, or 296,200,000 pounds in 1929.

Other important butter importing countries are Belgium, France, Italy, and Switzerland, but imports into these countries are small relative to imports into the United Kingdom and Germany. Butter imports into these countries in 1934 were as follows: Belgium, 20,600,000 pounds; France, 9,600,000 pounds; Italy, 3,400,000 pounds; and Switzerland, 700,000 pounds.

39 States Are Practically Free From Tuberculosis in Cattle

Connecticut has been added to the modified accredited area list of States which includes those practically free of bovine tuberculosis, thus bringing the total number of States on that list up to 39.

The work of eradicating tuberculosis among cattle in Connecticut was begun more than a quarter of a century ago and has been in progress in cooperation with the Federal Government since 1918. Cooperation of the livestock owners with State and Federal officials made it possible to reduce the degree of bovine tuberculosis, which formerly was rather widely prevalent. Before an area can be designated as modified accredited the degree of infection among the cattle must be less than 0.5 percent as shown by official tests.

When a State becomes a modified accredited area, the most difficult part of the eradication work has been completed. However, it is necessary to prevent the disease from getting new footholds. This is done by retesting the formerly infected herds at regular intervals and removing any diseased cattle found.

CALIFORNIA AGREEMENT

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year. Principal provisions of the agreement would make possible (1) limitation of the shipment of any grade or size of fruit; (2) limitation of total shipments by periods within the marketing season; and (3) regulation of daily shipments by control of shipments from railroad concentration points, precooling cold storage concentration points, or shipping points by means of allotments to shippers. The manner of regulation would be chosen by the shippers, and all three methods of control may be operated simultaneously.

The program was developed at the request of a major portion of the industry. Its successful operation in adjusting shipments of fruit to market is expected to improve marketing conditions for about 12,000 growers.

TRUCK CROPS

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the use of a short shipping holiday when necessary in order to permit overstocked terminal markets to become cleared and thus improve prices.

The truck crop marketing programs sponsored by growers and shippers and put into effect by the Secretary of Agriculture under the provisions of the Agricultural Adjustment Act, have related to Florida celery; watermelons shipped from Florida, Georgia, South Carolina, and North Carolina; California asparagus; western Washington cauliflower, peas, and lettuce; and Colorado cauliflower and peas.

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